

SEPTEMBER 30, 2004

QUARTERLY

ANSWER BOOK

UPDATE

REPLACEMENT PAGES

2, 4, 5, 12, 13, 14, 25, 27, 28, 39, 40, 41 AND 42

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This Section states that “moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency.”

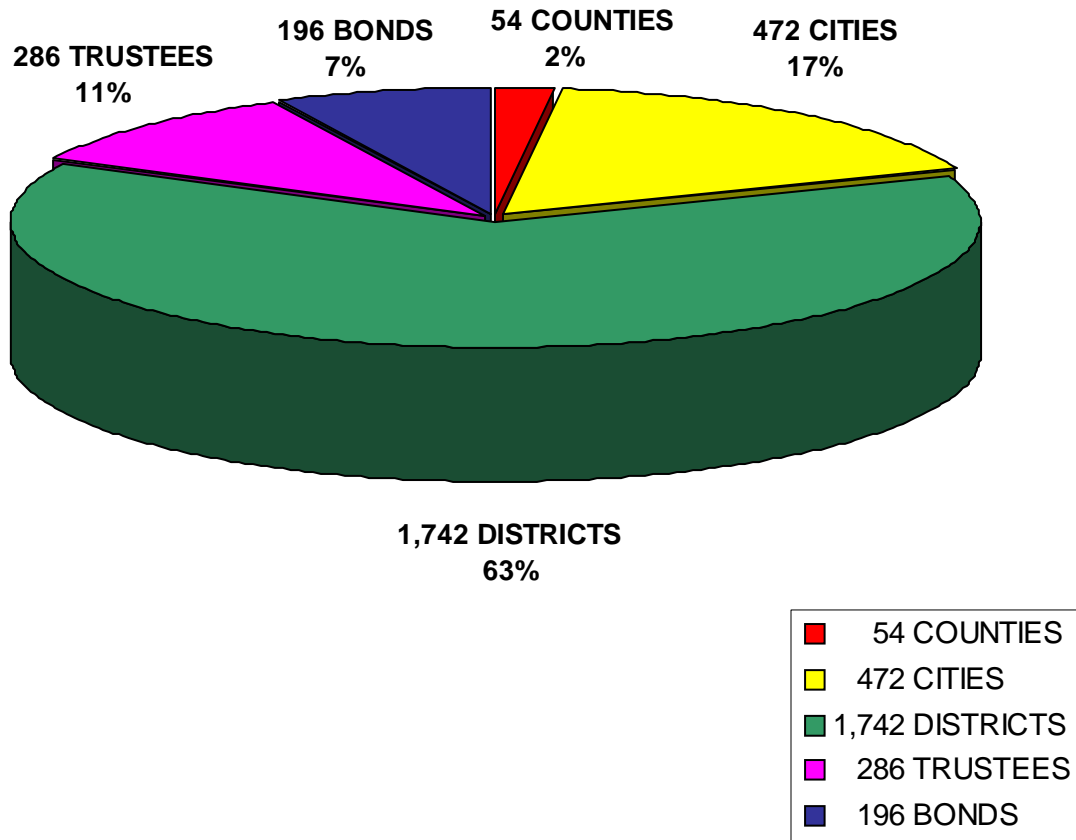
During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF’s enabling legislation. The Section states that “the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state’s failure to adopt a State Budget by July 1 of each new fiscal year.”

The LAIF has grown from 293 participants and \$468 million in 1977 to 2,750 participants and \$19.8 billion in 2004.

State Treasurer's Office
Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001
<http://www.treasurer.ca.gov/laif>

LOCAL AGENCY INVESTMENT FUND

Participation as of 9/30/04
2,750 Agencies



**PHIL ANGELIDES
TREASURER
STATE OF CALIFORNIA**

**INVESTMENT DIVISION SELECTED INVESTMENT DATA
ANALYSIS OF THE POOLED MONEY INVESTMENT ACCOUNT PORTFOLIO
(000 OMITTED)**

September 30, 2004			
<u>TYPE OF SECURITY</u>	AMOUNT	PERCENT	PERCENTAGE CHANGE FROM PRIOR MONTH
Government			
Bills	\$ 2,464,369	4.86	-0.01
Bonds	0	0	
Notes	4,608,280	9.09	-0.22
Strips	0	0	0
Total Governments	\$ 7,072,649	13.95	-0.23
Federal Agency Coupons	\$ 4,853,077	9.57	+0.31
Certificate of Deposits	7,840,048	15.47	-0.52
Bank Notes	200,000	0.39	-0.30
Bankers' Acceptances	0	0	0
Repurchases	0	0	0
Federal Agency Discount Notes	8,966,696	17.68	-1.92
Time Deposits	6,225,295	12.28	+0.15
GNMAs	404	0	0
Commerical Paper	7,849,365	15.48	+5.38
FHLMC/REMICS	354,062	0.70	-0.02
Corporate Bonds	1,639,729	3.24	+0.22
Pooled Loans	4,645,734	9.16	-0.19
GF Loans	1,054,400	2.08	-2.88
Reversed Repurchases	0	0	0
Total (All Types)	\$ 50,701,459	100.00	

Average Life of Portfolio as of September 30, 2004 is 182 Days

State of California
Pooled Money Investment Account
Market Valuation
09/30/04

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
United States Treasury:				
Bills	\$ 2,464,369,013.88	\$ 2,475,337,125.00	\$ 2,474,707,600.00	NA
Notes	\$ 4,608,280,081.14	\$ 4,607,596,230.27	\$ 4,590,096,500.00	\$ 45,541,393.75
Federal Agency:				
SBA	\$ 575,098,621.97	\$ 575,037,316.15	\$ 567,821,764.13	\$ 1,552,692.41
MBS	\$ 351,156,251.30	\$ 351,156,251.30	\$ 344,554,681.37	\$ 1,577,770.68
Bonds	\$ 4,277,978,304.40	\$ 4,277,199,797.46	\$ 4,260,534,504.60	\$ 37,561,937.57
Floater	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 8,966,695,867.01	\$ 9,010,215,328.52	\$ 9,005,977,286.70	NA
FHLMC PC	\$ 2,905,913.97	\$ 2,905,913.97	\$ 3,155,611.86	\$ 46,766.52
GNMA	\$ 403,634.31	\$ 403,634.31	\$ 461,506.86	\$ 3,982.95
Bankers Acceptances	\$ -	\$ -	\$ -	NA
Bank Notes	\$ 200,000,000.00	\$ 200,000,000.00	\$ 199,774,537.00	\$ 1,217,000.00
CDs	\$ 7,840,048,138.37	\$ 7,840,048,138.37	\$ 7,834,879,644.20	\$ 32,650,066.73
Commercial Paper	\$ 7,849,364,864.67	\$ 7,866,529,629.38	\$ 7,864,407,760.83	NA
Corporate:				
Floater	\$ 137,588,934.36	\$ 137,588,934.36	\$ 137,466,061.30	\$ 276,913.24
Bonds	\$ 1,502,139,782.93	\$ 1,501,421,489.45	\$ 1,497,469,642.99	\$ 20,381,158.08
Repurchase Agreements	\$ -	\$ -	\$ -	NA
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 6,225,295,000.00	\$ 6,225,295,000.00	\$ 6,225,295,000.00	NA
AB 55 & GF Loans	\$ 5,700,134,314.11	\$ 5,700,134,314.11	\$ 5,700,134,314.11	NA
TOTAL	\$ 50,701,458,722.42	\$ 50,770,869,102.65	\$ 50,706,736,415.95	\$ 140,809,681.93

Fair Value Including Accrued Interest

\$ 50,847,546,097.88

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost **(.998736821)**.

As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$19,974,736.42 or \$20,000,000.00 x .998736821.

PAR VALUES MATURING BY DATE AND TYPE

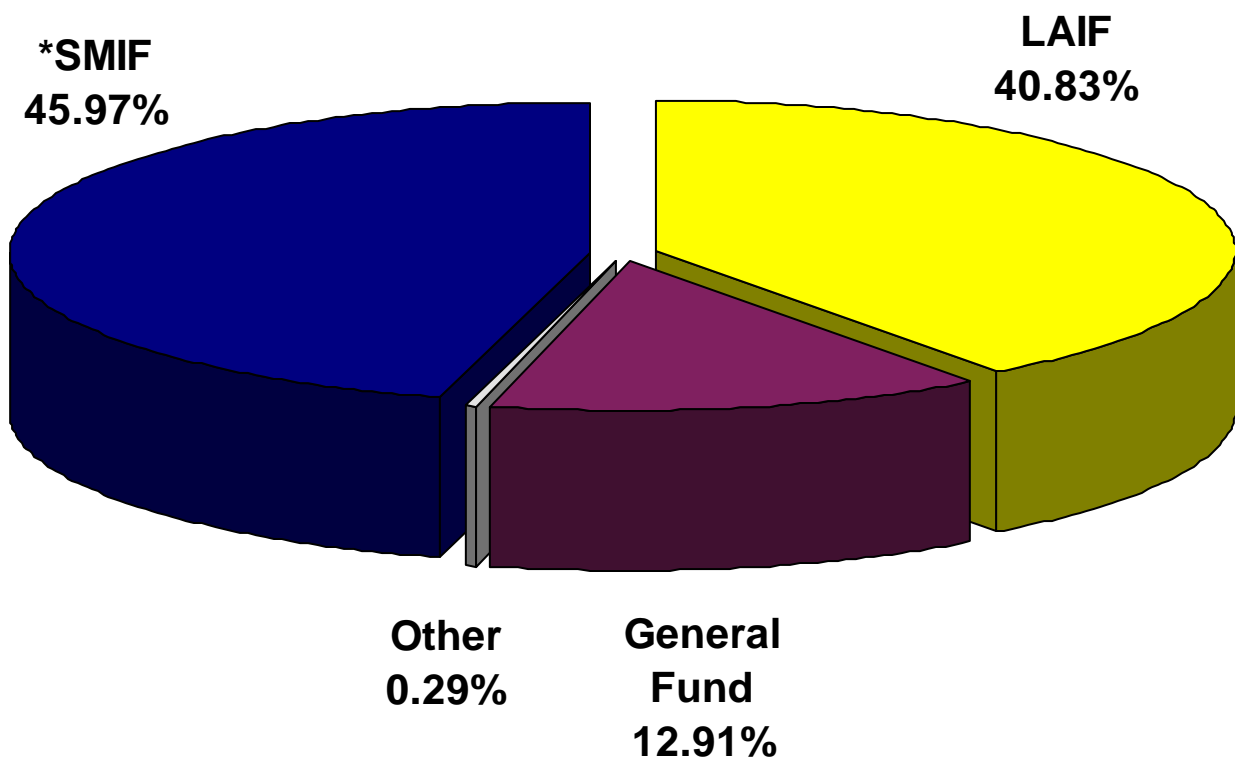
Maturities in Millions of Dollars

ITEM	1 day to 30 days	31 days to 60 days	61 days to 90 days	91 days to 120 days	121 days to 150 days	151 days to 180 days	181 days to 210 days	211 days to 270 days	271 days to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 year/out
TREASURY	\$ 1,000	\$ 1,600		\$ 380			\$ 150	\$ 2,000	\$ 200	\$ 1,725			
REPO													
TDs	\$ 1,702	\$ 1,065	\$ 1,328	\$ 999	\$ 660	\$ 379	\$ 22	\$ 35	\$ 34				
AGENCY	\$ 2,283	\$ 2,878	\$ 1,574	\$ 200	\$ 200	\$ 3,025	\$ 250	\$ 640	\$ 250	\$ 2,539	\$ 863		\$ 3
BAS													
CP	\$ 2,565	\$ 610	\$ 2,060	\$ 1,272	\$ 1,186	\$ 200							
CDs + BNs	\$ 2,450	\$ 450	\$ 900	\$ 800	\$ 890	\$ 2,550							
CORP BND		\$ 50	\$ 59	\$ 94	\$ 92	\$ 22	\$ 15	\$ 160	\$ 291	\$ 631	\$ 172		
TOTAL													
\$ 45,503	\$ 10,000	\$ 6,653	\$ 5,921	\$ 3,745	\$ 3,028	\$ 6,176	\$ 437	\$ 2,835	\$ 775	\$ 4,895	\$ 1,035		\$ 3
PERCENT	22.0%	14.6%	13.0%	8.2%	6.7%	13.6%	1.0%	6.2%	1.7%	10.8%	2.3%	0.0%	0.0%

Notes:

1. SBA Floating Rate Securities are represented at coupon change date.
2. Mortgages are represented at current book value.
3. Figures are rounded to the nearest million.
4. Does not include AB55 and General Fund loans

SOURCE OF FUNDS
Pooled Money Investment Account
Quarter Ending 9/30/04
Average Quarterly Balance
\$51.035 Billion



*SMIF: Surplus Money Investment Account

PMIA Average Monthly Effective Yields

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.390	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771			

Local Agency Investment Fund Quarterly Apportionment Rates

	MARCH	JUNE	SEPTEMBER	DECEMBER
1977	5.68	5.78	5.84	6.45
1978	6.97	7.35	7.86	8.32
1979	8.81	9.10	9.26	10.06
1980	11.11	11.54	10.01	10.47
1981	11.23	11.68	12.40	11.91
1982	11.82	11.99	11.74	10.71
1983	9.87	9.64	10.04	10.18
1984	10.32	10.88	11.53	11.41
1985	10.32	9.98	9.54	9.43
1986	9.09	8.39	7.81	7.48
1987	7.24	7.21	7.54	7.97
1988	8.01	7.87	8.20	8.45
1989	8.76	9.13	8.87	8.68
1990	8.52	8.50	8.39	8.27
1991	7.97	7.38	7.00	6.52
1992	5.87	5.45	4.97	4.67
1993	4.64	4.51	4.44	4.36
1994	4.25	4.45	4.96	5.37
1995	5.76	5.98	5.89	5.76
1996	5.62	5.52	5.57	5.58
1997	5.56	5.63	5.68	5.71
1998	5.70	5.66	5.64	5.46
1999	5.19	5.08	5.21	5.49
2000	5.80	6.18	6.47	6.52
2001	6.16	5.32	4.47	3.52
2002	2.96	2.75	2.63	2.31
2003	1.98	1.77	1.63	1.56
2004	1.47	1.44	1.67	

Local Agency Investment Fund Administrative Earnings (Cost)

QUARTER ENDING	PERCENTAGE OF EARNINGS (COST)	EQUIVALENT BASIS POINT VALUE
03/31/95	0.26	1.5
06/30/95	0.19	1.2
09/30/95	0.23	1.3
12/31/95	0.25	1.5
03/31/96	0.23	1.3
06/30/96	0.19	1.1
09/30/96	0.22	1.2
12/31/96	0.26	1.5
03/31/97	0.30	1.7
06/30/97	0.16	0.9
09/30/97	0.23	1.3
12/31/97	0.24	1.4
03/31/98	0.24	1.4
06/30/98	0.16	0.9
09/30/98	0.08	0.5
12/31/98	0.24	1.3
03/31/99	0.23	1.2
06/30/99	0.32	1.6
09/30/99	0.20	1.1
12/31/99	0.22	1.2
03/31/00	0.22	1.3
06/30/00	0.28	1.7
09/30/00	0.20	1.3
12/31/00	0.20	1.3
03/31/01	0.18	1.1
06/30/01	0.21	1.1
09/30/01	0.21	0.9
12/31/01	0.31	1.1
03/31/02	0.34	1.0
06/30/02	0.35	1.0
09/30/02	0.44	1.2
12/31/02	0.47	1.1
03/31/03	0.46	0.9
06/30/03	0.32	0.6
09/30/03	0.50	0.8
12/31/03	0.47	0.7
03/31/04	0.47	0.7
06/30/04	0.47	0.7
09/30/04	0.45	0.8

The law provides that reimbursements cannot exceed one-half of 1 percent of the EARNINGS of the fund per quarter. Listed above is the percentage of earnings (costs) per quarter.

Disclosure Statement

Portfolio Holdings: Derivatives, Structured Notes, and Asset-Backed Securities

The Treasury Investment Division has received a number of inquiries concerning our various portfolio holdings. Questions involving structured notes, derivative products, and asset-backed securities are the most notable. We have found that the lack of acceptable definitions regarding these financial products has led to confusion and disagreement with our reported positions.

In an effort to clarify the information provided in our monthly statements, we would like to share with you our understanding of these financial products, as defined by the U.S. General Accounting Office (GAO).

In a recent survey of sales practices for these financial products the GAO provided definitions and examples of what they considered 1) plain vanilla OTC derivatives, 2) more complex OTC derivatives, 3) structured notes, and 4) asset-backed securities. Following are the GAO definitions, as well as the State of California Treasurer's holdings in each category as of September 30, 2004:

*1. Plain Vanilla OTC Derivative Products

A derivative product is a financial instrument whose market value is derived from a reference rate, index, or value of an underlying asset. OTC derivatives are privately negotiated contracts and are not traded on organized exchanges.

U.S. \$ _____ Ø _____ As of: 9/30/04

*2. More Complex OTC Derivative Products

Other more complex OTC derivatives have at least one of the following characteristics:

- a. Their prices tend to be difficult to obtain because they are often available from only a few dealers.
- b. The payments required by the derivative contract are calculated on the basis of more than one interest rate, currency, asset, or other factor.
- c. The derivative contract has terms that are not determined until some future date.
- d. The contract involves a term that acts as a multiplier or increases the leverage of the rate(s) used to compute payments.
- e. The contract CAN entail potentially unlimited risk.

U.S. \$ _____ Ø _____ As of: 9/30/04

*** The Pooled Money Investment Account Portfolio has not invested in, nor will it invest in, Derivative Products as defined in General Accounting definitions #1 & #2. The GAO separation of derivatives, structured notes, and asset-backed securities is consistent with GASB 94-1.**

3. Structured Notes

Structured notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System.

U.S. \$137.315 million As of: 9/30/04

4. Asset-Backed Securities

Asset-backed securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

U.S. \$929.503 million As of: 9/30/04

Securities Accountability

1) Vanilla Derivatives Ø

2) Complex Derivatives Ø

3) Structured Notes

a.	Callable Agency	\$	00.000 million
b.	3 month LIBOR Agency Floater	\$	00.000 million
c.	3 month LIBOR Corporate Floater	\$	137.315 million
d.	2 year CMT Corporate Floater	\$	00.000 million
e.	3 month T-Bill Agency Floater	\$	00.000 million
f.	3 month T-Bill Corporate Floater	\$	00.000 million

4) Asset-Backed

a.	Small Business Administration Pools	\$ 575.037 million
b.	Agency CMOs	\$ 351.156 million
c.	GNMA Pools	\$ 0.404 million
d.	FHLMC PC Pools	\$ 2.906 million

Total Portfolio As of: 9/30/04 \$50,701,458,722.42

Financial Products as a percent of portfolio: 2.104%